

## INCLUDED IN THIS ISSUE

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## WEATHER SUMMARY

The unseasonably warm autumn weather was ended by a surge of cold air that pushed southward through New Mexico early in the week. About half the reporting locations measured some light precipitation. Temperatures for the week averaged about five degrees below normal. On the 28<sup>th</sup>, the mercury dipped to 9 below zero at River River and 6 below zero at Chama.

### New Mexico Weather Conditions November 26-December 02, 2001

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	11/26 12/02	12/01 12/02	Normal Dec	01/01 12/02	Normal Jan-Dec
Carlsbad	42.3	71	18	0.03	0.00	0.41	7.29	12.79
Hobbs	43.1	71	15	0.00	0.00	0.62	7.39	16.78
Roswell	39.0	65	17	0.03	0.00	0.55	9.12	12.93
Clayton	34.5	62	14	T	0.00	0.29	10.74	15.09
Clovis	34.1	66	18	0.03	0.00	0.54	16.39	17.51
Roy	29.8	53	7	0.00	0.00	0.45	9.81	15.74
Tucumcari	35.6	65	7	0.25	0.00	0.27	15.08	14.17
Chama	18.9	45	-6	0.27	0.01	1.80	18.19	21.61
Johnson Ranch	24.7	53	2	0.13	0.00	0.67	6.98	11.52
Capulin	26.3	57	1	0.01	0.00	0.48	11.89	17.42
Las Vegas	27.5	54	0	0.06	0.00	0.47	11.13	16.96
Los Alamos	25.1	46	6	0.19	0.00	1.08	14.16	18.72
Raton	27.1	56	2	0.06	0.00	0.58	14.09	16.80
Santa Fe	28.2	54	6	0.00	0.00	0.77	9.33	13.98
Red River	18.2	47	-9	0.07	0.00	1.16	20.35	20.49
Farmington	30.2	52	11	T	0.00	0.50	6.91	8.62
Gallup	27.6	55	8	T	0.00	0.96	9.55	12.87
Grants	28.3	58	1	0.13	0.00	0.66	8.21	10.80
Silver City	37.0	61	16	0.00	0.00	1.20	9.94	15.92
Quemado	26.0	42	6	0.00	0.00	1.02	14.81	14.06
Albuquerque	34.0	53	20	0.00	0.00	0.50	6.26	8.88
Carrizozo	34.4	60	11	0.00	0.00	0.76	8.74	12.83
Gran Quivera	29.9	56	7	0.13	0.00	1.10	6.90	16.02
Moriarty	28.6	57	13	0.02	0.00	0.54	11.54	12.71
Ruidoso	30.4	56	9	0.04	0.00	1.63	18.65	21.35
Socorro	34.9	60	17	0.00	0.00	0.58	8.24	9.53
Alamogordo	45.3	68	23	0.00	0.00	0.82	7.07	12.74
Animas	41.4	68	21	0.00	0.00	1.08	8.69	11.70
Deming	39.2	65	17	T	0.00	0.85	6.72	10.58
T or C	37.8	63	19	T	0.00	1.07	9.47	10.29
Las Cruces	41.8	66	16	0.00	0.00	0.68	4.97	9.40

(T) Trace (-) No Report (\*) Correction

All reports based on preliminary data. Precipitation data corrected monthly from official observation forms.

## AGRICULTURAL PRICES RECEIVED

**NEW MEXICO:** The November alfalfa hay price, at \$134.00 per ton, was \$6.00 above October and \$5.00 above last year's price of \$123.00. Cow prices decreased \$3.00 in November to \$38.90 per cwt. This was 10 cents below last year at the same time, and was \$3.60 above the U.S. average. Steer and heifer prices, at \$77.70 per cwt., were \$6.40 cents below last month, and \$8.80 cents below last year. This price was \$11.10 above the U.S. average. Calf prices, at \$91.70, were \$4.30 below last month and \$11.30 below last year. The New Mexico calf price was \$4.50 less than the U.S. average. Milk prices were \$14.70 per cwt. in November, \$0.80 below last month but \$2.10 cents above last November. The U.S. average was \$14.30 per cwt. in November.

**Prices Received by Farmers: Selected Commodities, October 2001 and November 2000-01**

Commodity	Unit	New Mexico			U.S. <sup>1/</sup>
		Nov 2000	Oct 2001 <sup>2/</sup>	Nov 2001 <sup>1/</sup>	Nov
<b>CROPS</b>		-----Dollars-----			
Grain Sorghum	Cwt	--	--	--	3.35
Cotton, Upland	Lb	--	--	--	.307
Potatoes	Cwt	--	--	--	6.04
Hay, all baled	Ton	127.00	126.00	132.00	97.10
Alfalfa, baled	Ton	130.00	128.00	134.00	106.00
Peanuts	Lb	--	--	--	.204
Corn	Bu	--	--	--	1.85
Wheat, all	Bu	--	--	--	2.94
<b>LIVESTOCK</b>					
Sheep <sup>3/</sup>	Cwt	---	---	---	26.20
Lambs <sup>3/</sup>	Cwt	---	---	---	52.90
Cows	Cwt	39.00	41.90	38.90	35.30
Steers & Heifers	Cwt	86.50	84.10	77.70	66.60
Calves	Cwt	103.00	96.00	91.70	96.20
Milk	Cwt	12.60	15.50	14.70	14.30

<sup>1/</sup> Mid-month. <sup>2/</sup> Entire month. <sup>3/</sup> October- Entire Month

### Livestock Situation and Outlook

USDA, ERS, November 2001

**Beef Situation Unsettled** Dry weather reduced forage supplies, and uncertain domestic and international demand for beef have plagued the industry this fall. Another year of drought throughout much of the traditional grazing areas has forced adjustments in the beef sector. Poor overwintering forage prospects have resulted in large beef cow slaughter as producers in many areas are faced with inadequate grazing conditions and heavier demands on hay stocks. The December **Crop Production** report will provide information on hay stocks as of December 1 and a better idea as to how tight supplies will be this winter. Producers in many of the drier areas have already fed large quantities of hay from this year's crop.

Weaker beef demand from slowing domestic and international economies continues to result in reduced cattle slaughter levels even as slaughter weights break last year's record by sizeable margins. The latest *Cattle on Feed* report indicated reduced feedlot placements, but also a much slower marketing pattern. Although slaughter weights are setting records, the industry continues to have

problems getting cattle into the Choice grade. Consequently, overfinished cattle are not likely to become a major problem. However, although steer and heifers slaughter numbers are below expectations, larger marketings would likely force market prices even lower. Although boxed beef prices have been erratic since early September, varying from \$120 a cwt to a recent low near \$107, prices in late November had strengthened to near \$115 a cwt.

Retail prices for Choice beef were 26 cents above a year earlier, and down only 10 cents from the June record of \$3.48 a pound. While retail demand for beef seems to be holding up well, reduced travel and hotel-restaurant trade as well as weaker export demand are forcing more beef into the retail market at lower wholesale prices, which should support increased movement. Large supplies of market ready cattle at record weights are likely to burden the industry well into the winter quarter. Winter weather conditions again likely will play a major role in determining feedlot performance and marketings over the next six months. Stocker-feeder cattle supplies continue to be

buffeted as much by uncertain forage-overwintering prospects as fed cattle prices or the cost of gain.

#### **BSE in Japan Further Dampens Beef Export Prospects**

A softening of U.S. beef exports beginning in the spring of 2001 as a result of tight beef supplies and thus higher prices, an appreciating dollar, and a worldwide weakening in demand has been further destabilized by the discovery of a BSE-infected heifer in Japan on September 11. Consumption of beef from all sources has dropped dramatically in Japan since that time, and in response public and private organizations have undertaken major advertising campaigns to educate consumers about BSE. These campaigns could represent the beginning of a recovery in consumer demand for beef. It is yet too early to gauge the response of Japanese consumers to these efforts on the export of U.S. beef, especially after the discovery of a second case. However, meat and bone meal (MBM), the presumed source of the BSE, has never been a feed ingredient in nearly all cattle rations in both Australia and the United States—the two major suppliers to the Japanese market. Furthermore, the United States officially banned the use of all mammalian-based MBM in cattle feeds in 1997 to avoid any chance of contamination.

**Hog Prices Decline** Larger than previously expected pork production and the weakening economy have pressured hog prices into the mid-\$30s in November after averaging in the low-\$40s in October. The away-from-home food market has been hit the hardest by the weakening economy and air travel safety concerns. Prices of pork loins and bellies have dropped sharply. Pork loin prices are down about 17 percent from August and bellies are down about 37 percent. However, the sharp drop in bellies may also reflect the end of the family vacation season due to recent popularity of bacon in fast food sandwiches. In 2000, bellies dropped 32 percent during the same time period. Pork loins are often entrees in tablecloth restaurants, whose volume has been reduced by the slowdown in travel.

**BSE Crisis May Benefit U.S. Pork Exports** Trade publications and other sources suggest that Japanese consumers may be purchasing more pork products as they reduce beef consumption. This consumer reaction is in response to the identification of an BSE-infected heifer in the Japanese cattle herd. Since the September 21 confirmation of the BSE diagnosis, reports indicate that retail beef sales in Japan have plummeted. Sources estimate the drop at anywhere from 40 to 70 percent.

Japanese consumers appear to be consuming more pork despite higher prices. Prices of imported pork in Japan - imported pork constitutes about 50 percent of Japan's total pork supply- are higher than they might otherwise be due to the recent imposition of the Safeguard. On August 1, 2001, minimum import prices of chilled and frozen pork cuts were increased 25 percent, from \$1.94 per pound to \$2.42 per pound. The higher price will stay in place until

the end of the current Japanese fiscal year- March 31, 2002. Despite higher pork prices, retail sales of pork products in Japan have reportedly increased 10 to 30 percent since the discovery of BSE.

Any BSE-induced demand for pork should be reflected in the October U.S. trade data, which becomes available December 19, 2001. The BSE crisis in Japan creates a situation where, all else equal, U.S. pork exports are more likely to increase than to decrease.

**Wholesale Dairy Prices Recover a Bit** Wholesale butter and cheese prices have regained a portion of their earlier plunges. Exchange prices for Cheddar cheese rose 16 to 19 cents per pound between late October and late November, about one-third of the drop from the late September peak. Similarly, butter prices have risen about 13 cents per pound following a drop of almost \$1 from the early September peak.

In early September, wholesale prices probably were headed for a downward adjustment in any case. The effects of economic weakness were starting to be felt, and milk production was slowly returning to year-earlier levels. In addition, pipeline stocks probably were unusually large because buyers reportedly started acquiring product for holiday use particularly early. The abrupt drop in buying for restaurant and travel-related use in mid-September precipitated the price declines. With ample pipeline stocks, buyers could minimize purchases on a falling market. Slow movement caused product to back up in warehouse stocks. Warehouse stocks of both butter and cheese declined very little in September, a month that normally sees a large seasonal decline.

Buyers have returned to the market as both retail sales and restaurant use apparently have been fairly good.

Softening in demand for these products has thus far been fairly modest. In addition, retailers quickly began price specials, particularly for butter, once wholesale prices dropped. Meanwhile, milk production, while recovering, did not manage to reach year-earlier levels in October. Warehouse stocks of butter and cheese posted relatively large declines during October.

Prices probably will be unsettled during the next couple of months but large changes are not expected. Product movement will drop seasonally sometime in the next few weeks as the last holiday orders are filled. However, wholesale movement might be stronger than normal through the post-holiday pipeline refilling period. In addition, increases in milk production and slowing demand are expected to develop only gradually.

**Tariffs Removed from Imported Lamb** The United States complied with a World Trade Organization (WTO) ruling and removed the tariffs on imported lamb from New Zealand and Australia on November 15, 2001.

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In May 2001, a WTO panel acting on complaints filed by New Zealand and Australia had ruled against the United States. The appellate body recommended that the United States bring its safeguard measures on lamb meat imports into conformity with its obligations under the WTO agreement on safeguards and the General Agreement on Tariffs and Trade (GATT) of 1994.

Following the rapid rise in lamb imports in the mid-1990s, the United States established, in July 1999, a 3-year tariff rate quota (TRQ) on lamb imports from New Zealand and Australia. Despite the implementation of the TRQ, imports from Australia and New Zealand continued to increase. Effects of the tariffs were largely offset by weak Australian and New Zealand currencies along with favorable consumer acceptance of their exported lamb cuts.

**Sheep Industry Gets Extension on Lamb Meat Adjustment Program** With the compliance to the WTO ruling on November 15, 2001, came a 1-year extension of USDA's Lamb Meat Adjustment Program through July 31, 2003. The extension of the program includes an additional \$37.7 million in Federal aid in order to boost the domestic sheep industry. Of that amount, \$26 million will be allocated to purchase or retain ewe lambs, and the

remaining funds will be restricted to payments for slaughter and feeder lambs.

#### **Lamb and Mutton Production for the Third Quarter Stronger Than Expected**

For the first half of 2001, lamb and mutton production was nearly 7 percent below a year earlier, even with dressed weights averaging 2 to 4 pounds heavier. Production for the third quarter was 52 million pounds, up about 2 percent from the same period last year. Fourth-quarter production could be much stronger than initially expected. Dressed weights remained fairly high for the third quarter and early fourth quarter of 2001, averaging 68 pounds. Larger supplies of overweight, less desirable lambs kept prices relatively low.

#### **Lamb and Mutton Imports Lower Than Expected**

In the first 6 months of 2001, lamb and mutton imports totaled nearly 81 million pounds, up 20 percent from the same period last year, and nearly equivalent to imports for the entire year in 1997. However, imports for the third quarter of 2001 were 29 million pounds, the same as third-quarter 2000 imports but 34 percent below the second quarter of 2001.